September 21, 2006

SURFACE TRANSPORTATION BOARD

STB Ex Parte No. 661

RAIL FUEL SURCHARGES

Comments Submitted by
ROSEBURG FOREST PRODUCTS

My name is Andrew E. Jeffers, I am Traffic Manager – Rail for Roseburg Forest Products Company. In my current position, I am in charge of all rail shipments. I am responsible for all outbound and inbound rail shipments averaging 15,000 railcars per year. My duties include freight rate negotiation, quoting freight rates and auditing rail freight bills and filing freight claims. I am also in charge of monitoring rail car loading procedures to ensure we are in compliance with AAR regulations. I also monitor transit times and all of Roseburg's outbound rail shipments. I provide liaison between the railroad's and Roseburg's customers as well as Roseburg's Sales people. I am also involved with various local switching issues involving our mills. Finally, I am responsible for monitoring inbound empty car supply. Roseburg Forest Products is a manufacturer of lumber, plywood, particleboard, and engineered wood products. We have eight mills located in Southern Oregon; Northern California and Missoula, MT and we ship over 15,000 rail cars per year. I have been Traffic Manager with Roseburg for ten years. Prior to that, I worked for the Denver & Rio Grande Western Railroad and the Southern Pacific Railroad for 20 years. I started on the railroad in 1977 as an operating clerk. In 1979 I moved into the traffic department and worked as a Steno Clerk and a short time as a Tariff Compiler. In 1986, I became a Customer Service Representative for the D&RGW servicing primarily forest product accounts. After the SP/DRGW merger, I moved into Marketing and served as a Market Manager in both Lumber and Plywood.

I am writing today in regards to the rail fuel surcharge decision rendered by the STB on August 3, 2006. Every shipment made by Roseburg Forest Products has been subject to the railroad fuel surcharge.

Roseburg Forest Products is a significant manufacturer of plywood, particleboard, engineered wood, and lumber. We have 7 locations located on Central Oregon & Pacific and ship approximately 50 to 60 railcars per day from these facilities. We also operate a particleboard mill in Missoula, MT that is served by Montana Rail Link. On average, we ship 5-7 carloads per day from our Missoula mill. In addition, we bring carloads of logs and other intermediate products inbound to our facilities for use in production of finished goods. Inbound carloads are presently averaging 10-15 cars per day. Roseburg employs approximately 3500 people and the majority of these people work in Oregon.

Roseburg agrees that the railroad is entitled to recover the increased costs associated from rising fuel costs. We recognize that fuel is probably one of the biggest expenditures a carrier may face.

Traditionally, the fuel recovery costs have been stated as a percentage of the thru rate and is added to the published rate. All carriers use different measurements to determine what the surcharge percentage should be. Most carriers will also say the fuel surcharge does not cover all the fuel costs.

Rates have not traditionally been based solely on costs; costs are a factor but pricing is typically market based and Railroads tend to base pricing upon how much a market will bear. If a fuel recovery costs are based upon market based rates, does this charge accurately reflect how much the railroad is paying for fuel?

We recognize that fuel is a big expenditure of any rail carrier. We also know that purchasing any commodity in bigger lots (as railroads can with their fuel) will give some leverage to one's purchasing power and thereby offer a lower price. I have also been told by some railroad employees that sometimes they have been able to use factoring to keep their fuel costs under control. Any surcharge imposed needs to be based as closely as possible the actual price a carrier is paying for fuel.

We also take issue with the railroad's assertion that the fuel recovery costs do not fully cover the costs of fuel. Costs are a factor in setting rates and fuel has always been a part of that cost. Granted the cost of fuel may not have been at present levels when the rates were established but nonetheless there was a cost present that was being recovered in the original rates. When the surcharge was first introduced, railroads said the intent of the surcharge was to recover the additional expenses incurred in fuel purchases and never once state the intent was to fully recover all fuel costs. If the surcharge were intended to recover 100% of the fuel costs it would seem that the existing rates would need to be adjusted downward to factor out fuel costs.

Roseburg agrees that a ton/mile surcharge system would accurately reflect a railroad's cost of fuel and would represent a fairer way of administering the surcharge. However we are concerned that the shippers and payors of freight will need time to get rating systems set up that will accurately capture how much will need to be paid in fuel surcharges. Also, there needs to be agreement among all carriers as to how to administer the plan. For example, does one use the carrying capacity of the car or certified weights; should highway miles be used or rail miles; if highway miles, does one use practical, shortest or longest miles. So shippers will not have to set up several different surcharge calculations, there really should be some oversight here to ensure all carriers are using the same formula.

We also agree that every movement the railroad handles, should be subject to the fuel surcharge. While I am not personally aware of any customer not paying a fuel surcharge, I have been told by credible representatives in the industry that indeed this is occurring.

The past two to three years have subjected forest products shippers to increases in the double digit range. While the market has been good and carriers have been taking full advantage of it; one reason they always give for increasing rates is due to increasing costs. Since fuel is a part of this cost, we have often wondered if double dipping may be occurring. We support the STB prohibition of double dipping in any form.

Finally, we request the Board ensures that the revenues collected by Class I carriers from fuel surcharges are shared with their short line connections. We believe the Board should take to necessary steps to ensure this distribution is fair and reasonable. Shortlines are typically involved with switching cars, pre-blocking and generally assisting the Class I carriers with handling the biggest possible blocks of traffic and realizing the greatest economies of scale. It's logical that the work performed by shortlines uses proportionally more fuel than a linehaul movement. This relationship needs to be taken into consideration when the Board is calculating the distribution. A healthy and financially viable shortline network is essential to maintaining the health and financial viability of this Nation's rail network.

Roseburg Forest Products thanks the Board for allowing to present our views.

Respectfully submitted,

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By Its Traffic Manager – Rail

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